



California Public Utilities Commission

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News Release

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PUC PRESIDENT PEEVEY PROVIDES ALTERNATES FOR PG&E SETTLEMENT - ALJ PROPOSED DECISION ALSO ISSUED PROCESS ON TRACK FOR REVIEW AND COMMISSION DECISION DEC. 18

SAN FRANCISCO, November 18, 2003 -- Keeping to the timeline necessary for a Dec. 18 decision by the California Public Utilities Commission (CPUC), a proposed decision and two alternates were issued today addressing whether the CPUC should approve a proposed settlement agreement between the CPUC, Pacific Gas and Electric Company (PG&E) and PG&E Corporation (PG&E Corp.). The proposed settlement agreement, which was announced on June 19, 2003, is intended, among other purposes, to facilitate PG&E's emergence from bankruptcy. The proposed decision was issued by CPUC Administrative Law Judge (ALJ) Robert Barnett, and both alternates to that decision were issued by President Michael R. Peevey, the Assigned Commissioner for the CPUC proceeding concerning PG&E's bankruptcy case.

The proposed decision and both alternates support the key economic terms of the proposed settlement agreement. They differ in the following basic ways:

- ALJ Barnett's proposed decision, if adopted by the CPUC, would hold that the CPUC has the authority to enter into settlements, but that a settlement agreement may not prevent the CPUC from determining in the future whether PG&E's rates are just and reasonable. The proposed decision indicates that in future decisions concerning rates, the CPUC should give the settlement agreement "all possible consideration and weight." ALJ Barnett also proposes certain enhanced environmental benefits and other modifications.
- Both of President Peevey's alternates uphold the authority of the CPUC to enter into a legally binding settlement agreement with PG&E and PG&E Corp.
- Alternate #1 proposed by President Peevey would adopt the proposed settlement agreement in its entirety, an option thought appropriate for the CPUC to consider.

- Alternate #2, President Peevey's preferred alternate, would adopt the enhanced environmental benefits recommended by ALJ Barnett and recommends certain non-economic changes to three provisions of the proposed settlement agreement.

"We are on track and on schedule to resolve this matter by the end of the year," said President Peevey. "Judge Barnett's proposed decision and my two alternates will maintain PG&E as a vertically integrated utility subject to CPUC regulation and will contribute to a decision by the full Commission that should benefit PG&E ratepayers, the State and the environment. The proposed decision and both alternates approve the basic economic terms of the proposed settlement and project an initial rate reduction of approximately \$670 million in 2004. I fully expect the Commission to resolve the few outstanding legal issues at our December 18 meeting."

The proposed settlement agreement is a modification of a prior proposed plan of reorganization put forward by the CPUC and the official creditors' committee in PG&E's bankruptcy case. Submission of that prior proposed plan was unanimously authorized by the CPUC on Aug. 22, 2002.

Oral argument before ALJ Barnett has been scheduled for Dec. 2. Comments on ALJ Barnett's proposed decision and President Peevey's alternates are due by Dec. 8. Other Commissioners may issue their own alternates by Dec. 4; comments on other Commissioner alternates are due by Dec. 11.

The full Commission is scheduled to vote on ALJ Barnett's proposed decision, President Peevey's alternates and any other alternate decisions at its Dec. 18 meeting.

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